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News Release

FOR IMMEDIATE RELEASE
Wednesday, December 9, 2009
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Two defendants indicted for price-flipping 35 homes in mortgage fraud scheme

A federal indictment was unsealed today against a Minnesota pair for allegedly orchestrating a mortgage fraud scheme in which they stole more than \$2.5 million from lenders nationally by obtaining fraudulent loans for the purchase of 35 homes in the Twin Cities. The indictment charges Zack Zafer Dyab, 45, of Golden Valley, and Julia Alexander Rozhansky, 45, of Minnetonka, with one count of conspiracy to commit wire fraud, six counts of mortgage fraud through use of interstate wires, and one count of engaging in a monetary transaction involving criminally derived property.

The indictment alleges the defendants conspired to induce through fraudulent means numerous mortgage lenders throughout the U.S. to loan substantial sums of money to unindicted co-conspirators, who were relatives of Rozhansky. From 2003 through 2006, Dyab and Rozhansky allegedly recruited these co-conspirators to act as straw buyers in the purchase of 35 single-family homes in the Twin Cities.

In some instances, the defendants allegedly arranged for the straw buyers to purchase properties at inflated prices directly from Dyab, a mortgage broker, or his company, American Choice Lending, Inc., where Rozhansky was employed. In other instances, the defendants allegedly arranged for the straw buyers to purchase properties at inflated prices from third-party sellers. After those sales, the defendants purportedly caused the sellers to pay them a portion of the sale proceeds. In addition, the defendants sometimes allegedly had a real estate broker receive purported real estate "commissions" from transactions, which the broker then signed over to Dyab. By taking for their personal use substantial portions of the loan proceeds from all of these transactions, the defendants caused more than \$2.5 million in loss to the lenders during the life of the scheme.

To further their scheme, the defendants allegedly submitted false mortgage loan applications that greatly exaggerated the monthly income and bank account balances of the straw buyers.

Moreover, they purportedly deposited funds into the bank accounts of straw buyers in order to trick lenders into believing the buyers had substantial liquidity. They also allegedly provided straw buyers with funds to bring to transaction closings, to be passed off as their own down-payment money. Furthermore, the defendants allegedly led lenders to believe the straw buyers intended to live in the homes they bought, even though they knew the straw buyers intended to own the homes for less than a year before selling them to third-party straw buyers, who would then proceed to default on their mortgage loans.

If convicted, the defendants face a potential maximum penalty of five years in prison on the conspiracy charge, 20 years for each count of mortgage fraud, and 10 years on the monetary transaction charge. All sentences are determined by a federal district court judge. This case is the result of an investigation by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.